

Let dt 1 9 Jul 58 58-2708  
From BOB  
Subj: Preparation of FY '60 Budget

Let dtd 9 Sep 58  
From BOB  
Subj: 27. Reductions Requested  
By Resident  
Given to LAA on 11/6/58.

*Approp Budget*  
7 December 1958

MEMORANDUM FOR THE RECORD

SUBJECT: The Director's Meeting with the Director, Bureau of the Budget - Fiscal Year 1960 Budget.

1. At about 11:30 a.m. on 6 December 1958 the Director and I met with Messrs. Stans and Macy of the Bureau of the Budget to discuss further our Fiscal Year 1960 budget request. Mr. Dulles and Mr. Stans had started the meeting prior to Mr. Macy's and my arrival, and when we joined them Mr. Stans had completed reading the original of the attached memorandum (Tab A) which was left with Mr. Macy upon completion of the conference.

25X1A9A 2. Following a brief discussion of the Contingency Reserve, and particularly its  
25X1A1A relation to [ ] sensitive project, it was agreed between Mr. Dulles and Mr.  
25X1A1A Stans that [ ] in the Reserve would be adequate, excluding any requirements  
A for [ ] project. However, at Mr. Dulles' insistence it was also agreed that he  
and Mr. Stans would meet with the President who would have to make the final decision.

25X1A1A 3. In the discussion of [ ] project I said that as I understood it only ☐  
or [ ] would be obligated in Fiscal Year 1959 and the balance during the latter part  
of Fiscal Year 1960. Mr. Stans wished to ascertain as precisely as possible just how late  
in Fiscal Year 1960 and to explore the possibility of deferring the Fiscal Year 1960 obli-  
gation until July of Fiscal Year 1961. We undertook to do this and it was agreed that  
Messrs. Dulles, Stans, and [ ] would meet with Deputy Secretary of Defense Quarles  
on Tuesday, 9 December, to discuss this project further and that following the meeting  
Messrs. Dulles and Stans would confer with the President on the project and the Contin-  
gency Reserve. Mr. Stans indicated that it would be very advantageous to the Administra-  
tion if the proposed Fiscal Year 1960 obligation could be deferred until Fiscal Year 1961  
and went on to say that, assuming that the over-all project were approved, he would com-  
mit the Bureau now to approval of the necessary funds in Fiscal Year 1961.

4. Turning to the Regular Operating Budget, agreement was confirmed that the  
Department of State would budget for its contribution to the NIS Program. I pointed out to  
Mr. Macy that the Fiscal Year 1959 level would be about [ ] Mr. Dulles said  
that he hoped to reduce the level of this whole operation somewhat and Mr. Stans directed  
Mr. Macy to advise the Department of State accordingly in writing. Mr. Stans then noted  
that we were approximately [ ] apart from agreement since CIA was willing to

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25X1A1A accept a minimum of [ ] if we were relieved of the Department of State's NIS budget of about \$2.7 million and the Bureau proposed [ ] without granting this relief. In response to Mr. Stans' direct question as to whether he still felt that [ ] -  
25X1 [ ] was high Mr. Macy said he felt that we could use [ ] to good advantage but that it was high when compared to the levels to which other agencies were being held. Mr. Stans then reiterated his belief that we could reduce personnel and Mr. Dulles re-stated his previous position that we were going to try but that he did not feel that we could make a commitment. (Previously Mr. Macy had told me privately that he felt strongly that we could reduce by 1,000 people and never miss them.) Mr. Stans then said that he would require the Department of State to budget for their NIS Program and would still ap-  
25X1A1A prove of [ ] for our Regular Operating Budget if we would agree to make every possible effort to reduce our personnel strength by one per cent in Fiscal Year 1959 and an additional two per cent in Fiscal Year 1960. He pushed this point very hard, and while he understood that we were not committed to do this it was clear that he really expected it, and went on to say that if we were unable to make such a reduction we would be ex-pected to come back to him with a full explanation as to our inability to do so. Mr. Dulles reluctantly accepted these terms and it was further agreed that any personnel reductions would be translated into dollars which would accrue to the Contingency Reserve and be  
25X1A1A deducted from the [ ] for Regular Operations.

5. At this point Mr. Stans said that the [ ]  
advised to provide [ ] In order to avoid  
changing this he requested that [ ] of which we were ad-  
vised in his letter of 1 December, with the understanding that [ ] would be for  
our Regular Program and [ ] million for the replenishment of the Reserve. This would  
25X1 give us a Reserve of about [ ] assuming that recoveries from unobligated bal-  
25X1A1A ances from prior years and future withdrawals from the Reserve during Fiscal Year 1959  
would offset each other. Mr. Dulles agreed to this arrangement with the clear under-  
standing that it excluded entirely the [ ] project and was also subject to the President's  
25X1 approval. As I understand it, the questions to be settled with regard to this project are:  
(a) Should the project be approved? (b) If so, who should undertake it, CIA or the De-  
partment of Defense? (c) If CIA is to undertake it, should we do so under our own respon-  
sibility or as an executive agent of the Department of Defense? (d) Who supplies and con-  
trols the money? (e) What is the most precise estimate that we can make as to the dates  
on which obligations will be incurred and expenditures made?

6. In brief summary it was agreed that:

a. The Department of State would budget for its contribution to the NIS Program.

25X1A1A b. [ ] would be included in the President's budget for our Reg-  
ular Operating Program.

25X1A1A

c. [ ] would be included in the President's budget for the replenishment of the Contingency Reserve, thus providing approximately [ ] million for the Reserve in Fiscal Year 1960, subject to approval by the President.

25X1A1A

d. The provisions of a., b., and c. above excluded entirely [ ] sensitive project, a final decision on this project and its effect upon the Contingency Reserve to be made by the President following consultation with the Department of Defense.

25X1A9A

L. K. White  
Deputy Director  
(Support)

1 Att:

Att 1 - Tab A - "Memorandum re CIA  
Budget Estimate for Fiscal Year  
1960."

DD/S:LKW:laq

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TAB A